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STOCKS AT A DISCOUNT—BARGAINS IN CLOSED ENDS

JULY 11, 1988

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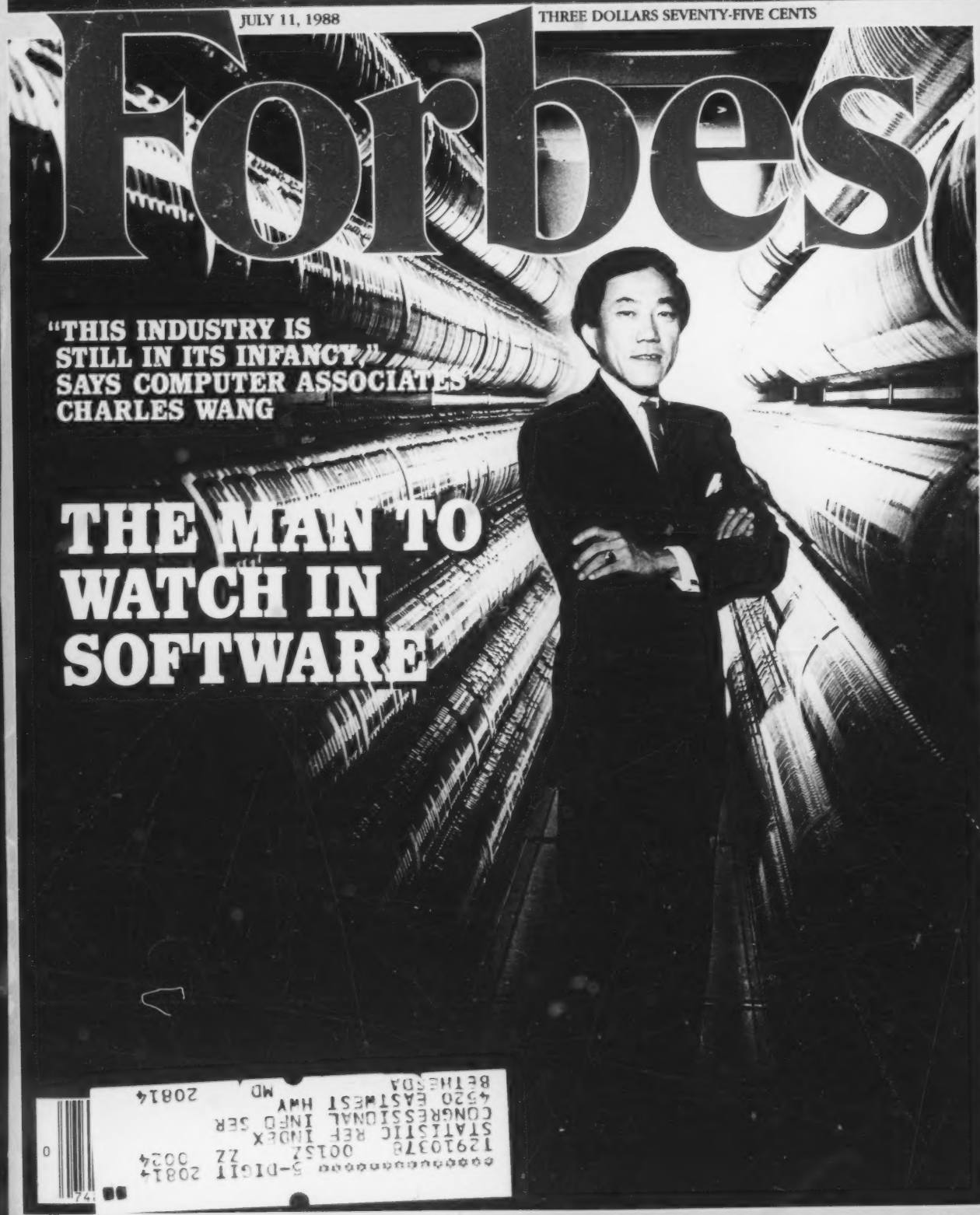
Forbes



"THIS INDUSTRY IS STILL IN ITS INFANCY," SAYS COMPUTER ASSOCIATES' CHARLES WANG

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VOLUME 142
NUMBER 1

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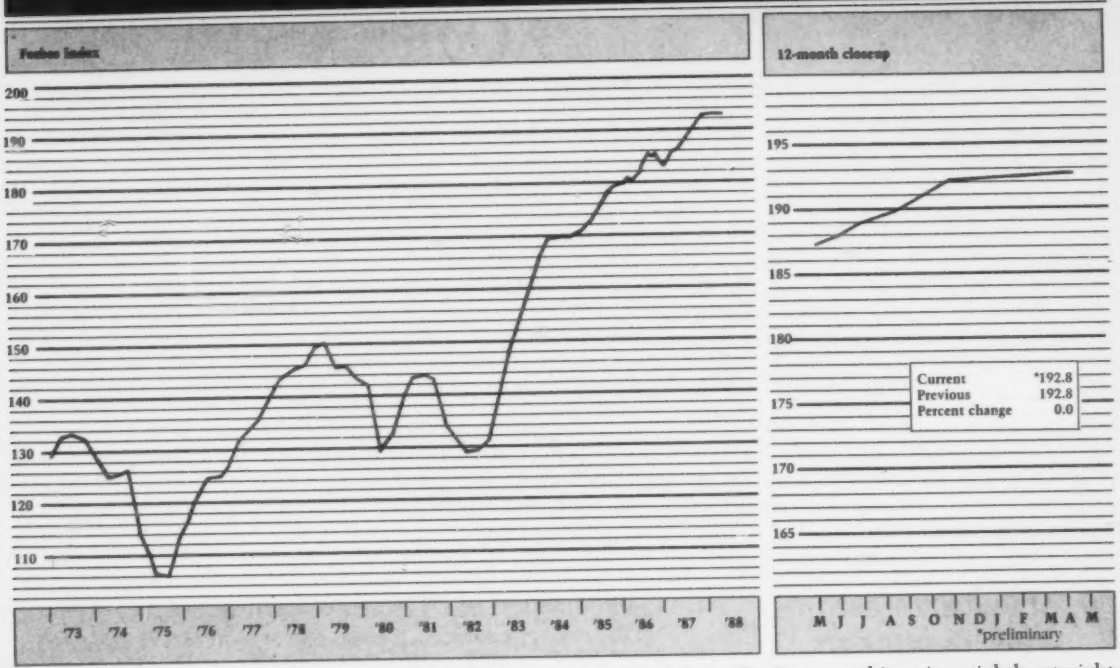
The Forbes Index



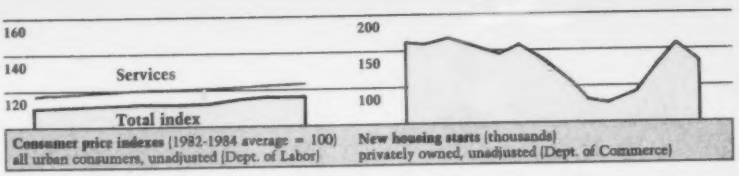
Adverse weather. The severe Midwest drought has caused a sharp upsurge in the price of agricultural futures but, as yet, is having little impact on consumer food prices. Meanwhile, the housing market remains sluggish. New housing starts fell 9% from April to May and are off almost 12% from May 1987. The first quarter of 1988 was the worst quarter for homebuilding in six years.

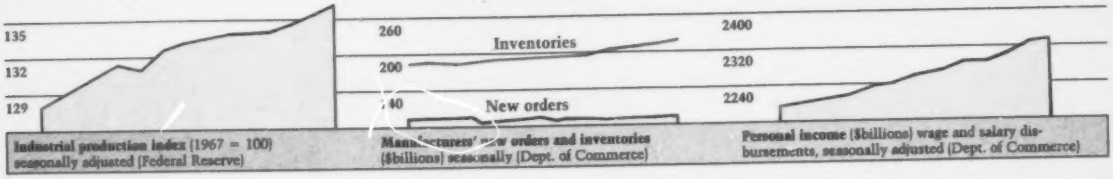
Industrial production, marking its eighth straight monthly advance, rose to a record $136 billion. But retail sales crept up only 0.1% in May. One explanation for the paltry increase is the level of consumer indebtedness. The latest figure for consumer installment credit, $633 billion, is 8.5% higher than it was a year ago. Over the same period personal income increased only 6.9%.

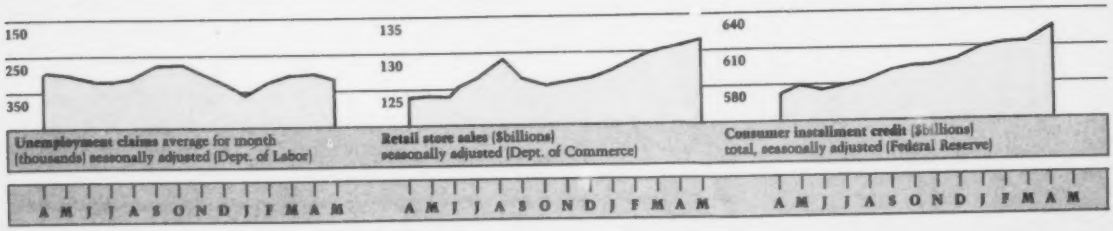
The Forbes Index Components

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.






150
250
350
Unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)
135
130
125
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)
640
610
580
Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)
A M J J A S O N D J F M A M
A M J J A S O N D J F M A M
A M J J A S O N D J F M A M

Beaune, Clos des Mouches, Joseph Drouhin 1986 ($45). *Red Bordeaux:* Domaine de Chevalier 1983 ($40); Les Forts de Latour 1976 ($33); Les Forts de Latour 1978 ($55); Château Talbot 1978 ($21); Château Lynch Bages 1983 ($25).

Air France, which changes its Concorde *carte des vins* monthly, is currently serving the following *Champagnes:* Cuvée Laurent Perrier Grand Siècle ($50). *White Burgundy:* Chassagne Montrachet 1982 ($35); *Red Burgundy:* Corton 1984 ($28). *Red Bordeaux:* Château Couvent des Jacobins 1982 ($35). *Sauternes:* Château Rieussec 1984 ($7).—**W.G.F.**

Sotheby's Art Market Trends

Index sectors	May 1988	One month ago	One year ago	Two years ago	Five years ago	One month % change	One year % change	Two year % change	Five years % change	Five years Average annual % change
Old Master paintings	373	373	329	303	212	nil	+13.4	+23.1	+75.9	+12.0
19th-century European paintings	347	333	303	249	185	+ 4.2	+14.5	+39.4	+87.6	+13.4
Impressionist & Post-impressionist art	1,091	723	521	380	267	+50.90	+109.4	+187.1	+308.6	+32.5
Modern paintings (1900-1950)	1,090	757	544	364	245	+44.0	+100.4	+199.5	+344.9	+34.8
Contemporary art (1945 onward)	728	609	597	524	366	+19.5	+21.9	+38.9	+98.9	+14.7
American paintings (1800–pre-WWII)	958	871	698	667	452	+10.0	+37.2	+43.6	+111.9	+16.2
Continental ceramics	407	407	320	284	263	nil	+27.2	+43.3	+54.8	+ 9.1
Chinese ceramics	684	581	550	493	445	+17.7	+24.4	+38.7	+53.7	+ 9.0
English silver	388	388	343	314	209	nil	+13.1	+23.6	+85.6	+13.2
Continental silver	260	220	201	190	156	+18.2	+29.4	+36.8	+66.7	+10.8
American furniture	469	469	451	333	239	nil	+ 4.0	+40.8	+96.2	+14.4
French & Continental furniture	355	324	299	285	249	+9.6	+18.7	+24.6	+42.6	+ 7.4
English furniture	720	657	594	447	282	+ 9.6	+21.2	+61.1	+155.3	+20.6
Aggregate index*	650	517	430	351	259	+25.7	+51.2	+85.2	+151.0	+20.2

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Basis: 1975 = 100 ($).
*Contemporary art was added to the Art Index in September 1987. The aggregate index excludes this category prior to that date.
Sotheby's Art Market Trends reflect subjective analyses and opinions of Sotheby's art experts, based on auction sales and other information deemed relevant. Nothing in Sotheby's Art Market Trends is intended as investment advice or as a prediction or guarantee of future performance or otherwise.

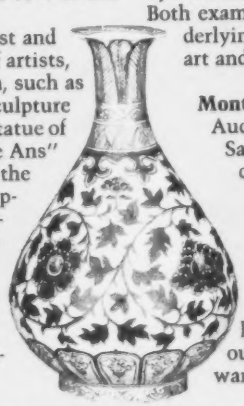
Index highlights

Exceptional auction results in May boosted the aggregate art index figure by 133 points. The rise in Impressionist and modern art alone accounted for 80% of this increase.

New price benchmarks for Impressionist and modern artworks were set for a number of artists, among them the leading names of the era, such as Cézanne, Degas, Matisse and Renoir. Sculpture produced excellent results too. A bronze statue of a ballerina, "Petite Danseuse de Quatorze Ans" by Edgar Degas, fetched $10.12 million, the highest auction price ever paid for sculpture. And a Japanese buyer set a new record for Cézanne, paying $9.24 million (almost double the estimate) for "La Cote du Galet à Pontoise."

Japanese buyers purchased about one-quarter of the major works. No doubt the prices in yen seemed competitive compared with prices in dollars.

Contemporary art has also been going from strength to strength, with several new records set. "Search" by Jackson Pollock sold for $4.84 million, establishing a record not only for the artist but for any contemporary work of art at auction. Another painting by Pollock, "Number 20, 1949," fetched $1.76 million. Both examples were acquired by Japanese buyers, underlying their continuing interest in contemporary art and the influence of the strong yen.



Sotheby's

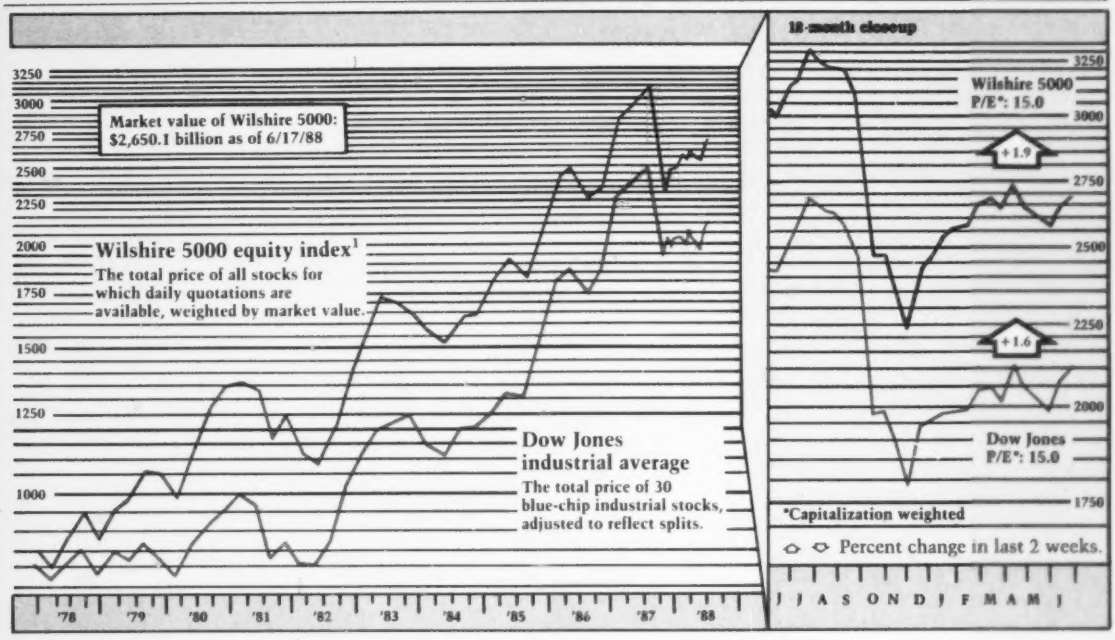
Rare decorated vase from the Ming period

Monthly highlights

Auctions around the world were very buoyant. Sales of Chinese ceramics in Hong Kong included a special single-owner collection of 117 lots of Ming and Qing porcelain, considered one of the finest to have come onto the market in recent years. The highlight of this sale was a copper-red early Ming vase, which sold for $2.2 million, the highest sum paid for a piece of Chinese porcelain and significantly higher than the previous record. Many buyers, from Japan and Taiwan, showed interest in Qing wares. Subsequent sales of Chinese porcelain in New York and London added further strength to this sector.

The Forbes/Wilshire 5000 Review

Edited by Steve Kichen



Crossing lines. With the Dow rising almost steadily for a month, it has finally broken above its 200-day moving average. Chart fans see that as a bullish sign, just as dropping below the 200-day average after months of exceeding it is supposed to be a bearish sign. (The Dow fell below its moving average two days before the crash in October, but that doesn't mean chartists all got out in time.) During the two weeks ended June 17, the major indices established new postcrash highs before retreating slightly. For the fortnight, the Dow was up 1.6%, the NYSE 1.7%, the Nasdaq 2.7% and the Wilshire 1.9%.

No matter which indicator is used, the market is still way off from last year. The Dow shows the worst 52-week performance, a loss of 13.1%. NYSE shares are down 11.4%, Nasdaq shares down 9.8% and Wilshire stocks down 11.1%.

Closeup On the Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[2]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	6.7	7.0	7.8	6.7	4.7	5.7
in last 52 weeks	–11.1	–11.7	–13.1	–11.4	–10.1	–9.8

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility[3]		P/E multiple		Dividend yield		Growth profile[4]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	7.6	4.4	10.1	3.4	5.4	4.2	3.9	7.8	7.3	4.3	6.3	3.8
in last 52 weeks	–6.2	17.4	18.7	4.6	–3.3	–1.1	0.0	23.4	16.2	3.6	–2.2	14.2

[1]Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created. [2]Based on sales. [3]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable. [4]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

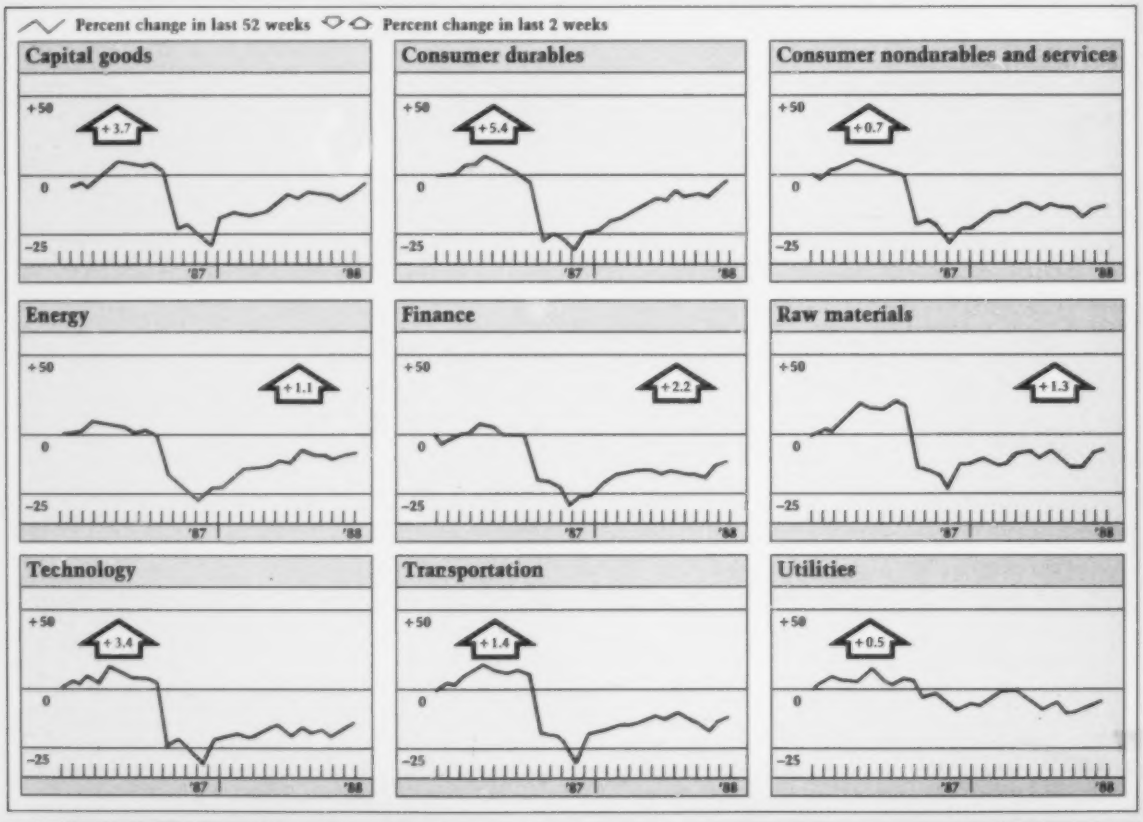
Note: All data for periods ending 6/17/88. Prepared by Wilshire Associates, Santa Monica, Calif.

Steven Ramos

Where the Action Is

Volatility is still with us. When SmithKline Beckman announced on June 16 that 1988 earnings were going to be down 5% to 10%, the stock fell 9¼ points, to 45¼. It was long-awaited evidence of a topping out for the blockbuster antiulcer drug Tagamet, which presently contributes just over a quarter of the firm's revenues. SmithKline said that increased competition will prevent Tagamet from reaching 1987 U.S. sales levels.

On June 17 trading volume on the NYSE was over 340 million shares as the market digested "triple witching hour" (when options and futures expire on the same day). Volume for the two-week period was led by Occidental Petroleum, which turned over 144 million shares, worth approximately $3.9 billion, in a dividend-related play.



What the Analysts Think

Energy prices firming? Over the last four weeks analysts increased their 1988 earnings projections by 3% or more for energy and raw material stocks. Consumer durables also enjoyed a 3% estimate gain. More recently, the market has been quieter. Over the last two weeks energy is the only sector to show an increase of more than 1%.

Forecasting the Forbes Sales 500

Performance period	Average earnings per share	P/E
latest 12 months	$2.78	13.8
1988 estimates	3.56	10.8
1989 estimates	3.92	9.9

Rank based on change in estimate	Sector	Estimated 1988 EPS	Estimated 1988 P/E	% change in 1988 estimate in 2 weeks	% change in 1988 estimate in 4 weeks
1	Energy	$3.01	12.9	1.10%	4.26%
2	Capital goods	2.59	14.8	0.76	0.83
3	Consumer durables	4.39	12.1	0.62	4.39
4	Raw materials	3.01	10.7	0.53	3.18
5	Technology	2.87	12.1	0.14	0.38
6	Transportation	2.48	11.0	–0.05	0.55
7	Utilities	2.41	10.0	–0.06	–0.39
8	Finance	3.41	8.3	–0.14	–0.66
9	Consumer nondurables	2.50	13.0	–0.16	–0.14

Earnings projections are capitalization-weighted consensus estimates from over 3,000 security analysts. Data are compiled and updated continually by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 6/17/88. Prepared by Wilshire Associates, Santa Monica, Calif., IBES, a service of Lynch, Jones & Ryan, New York.